



MAYOR AND COUNCIL AGENDA

NO. 17

DEPT.: Finance /

STAFF CONTACT: Dominic Del Pozzo

DATE PREPARED: May 6, 2005

FOR MEETING OF: May 16, 2005

SUBJECT: Fiscal Year 2005 Third Quarter Financial Report


RECOMMENDATION: Accept the attached Third Quarter Financial Report

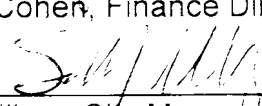
DISCUSSION: None

PREPARED BY:


Dominic Del Pozzo, Budget Officer

APPROVE:


Gavin Cohen, Finance Director

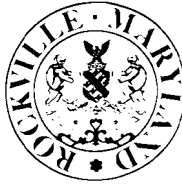

Scott Ullery, City Manager


Date


Date

LIST OF ATTACHMENTS:

1. Third Quarter Financial Report



City of Rockville

MEMORANDUM

May 5, 2005

TO: Mayor and Council

FROM: Dominic Del Pozzo, Acting Director of Finance
Susan J. Lander, Revenue Supervisor

VIA: Scott Ullery, City Manager

SUBJECT: 3rd Quarter Report on FY 2005 General Fund and Enterprise Funds Operations

The purpose of this memorandum is to present a report on operations for the third quarter of FY 2005 for the City's General Fund and Enterprise Funds. This memo is organized as follows:

- I. General Fund Overview
- II. General Fund Revenues
- III. Assessed Value of Real Property
- IV. General Fund Expenditures
- V. Contingency History
- VI. Capital Projects Fund
- VII. Enterprise Fund Revenues and Expenses
- VIII. Major Variances and Issues to Monitor in FY05

The charts in this memo reflect a quarterly comparison of adopted budget and actuals, as well as year-end projections for FY05. In order to make FY04 data comparable to FY05 data, accruals have been reversed out of FY04 figures. Therefore, variations due to the change in accrual timing are not an issue in this report.

I. GENERAL FUND OVERVIEW

The status of the General Fund's revenue sources is described in detail in Section II below. As of the end of the third quarter of FY05, the City had collected \$39.6 million compared to \$35.0 million at the same point in FY04, a 13.1 percent increase. Revenues were budgeted to increase 7.6 percent. Section IV outlines expenditures by category and identifies the major variances. As

of the end of the third quarter, expenditures are \$29.4 million, or 4.6 percent ahead of the \$28.1 million spent at this point last year. Expenditures were budgeted to increase 7.0 percent.

One of the City's fiscal targets is to maintain the undesignated fund balance in the General Fund at or above 15 percent of annual revenue. These funds provide a cushion to allow the City to continue to provide services even under the most unanticipated dire circumstances. The chart below shows the estimated fund balance at the end of FY 2005 based on the current projected level of revenue and expenditures. As indicated, the beginning balance was \$9.3 million or 19.5 percent of FY05 budgeted revenue. The estimated fund balance at year-end net of the planned annual contribution to the CIP is \$10.6 million or 22.3 percent of budgeted revenue. This represents a variance of \$3.5 million from the target level of 15 percent. As projections are updated during the year, the impact on the estimated fund balance will be indicated.

General Fund Undesignated Fund Balance

	FY 2005 Budgeted	Percent of
	<u>Amount</u>	<u>Revenue</u>
Balance, 6/30/04	9,259,794	19.5%
Plus: projected revenue	47,973,173	
Plus: designated/reserved fund balance	1,334,546	
Plus: items approved in first budget amendment	1,106,944	
Less: projected expenditures	48,244,105	
Less: items approved in first budget amendment	600,000	
Less: planned annual contribution to the CIP	200,000	
Estimated Balance, 6/30/05	10,630,352	22.3%
Increase (decrease) during FY 2005	1,370,558	
Target fund balance	7,140,225	15.0%
Variance from target	3,490,127	

Approximately \$3.0 million of the \$3.5 million variance from the target fund balance is available for one-time uses in the operating budget or CIP. The following items were included in the first budget amendment, which was adopted in February:

- Additional cost for financial system upgrade, \$200,000
- Additional cost for City Hall renovation, \$200,000
- Increased costs for asphalt and concrete, \$200,000
- Annual contribution to the CIP, \$200,000

The following items are anticipated future uses of fund balance:

- Unreimbursed portion of COPS grant, approximately \$450,000
- Additional cost for Town Center
- Contribution to the Capital Projects Fund out of FY05 surplus, \$500,000
- Up to \$600,000 for special planning and development initiatives (after FY06)

II. GENERAL FUND REVENUES

Comparison of General Fund Actual to Budgeted Revenue for the Period Ended March 31, 2005

Source of Revenue	FY 2005 Revised Budget	FY 2005 Actual As of 03/05	FY 2005 Year-End Projection	FY 2004 Year-End Actual	FY 2004 Actual As of 03/04	(1-2) Variance	Notes
Property Taxes:							
Real Property	22,094,000	22,858,616	22,880,000	20,248,076	19,901,072	2,957,544	(1)
Personal Property	3,220,000	3,013,433	3,120,000	3,138,850	2,376,812	636,621	(2)
Income Taxes:	6,456,175	3,765,955	6,456,175	7,019,649	3,843,895	(77,940)	
Intergovernmental Revenue:							
Gas vehicle tax	2,158,695	1,554,636	2,458,211	1,991,434	985,664	568,972	(3)
Tax duplication payment	1,698,450	1,698,450	1,698,450	1,259,511	1,259,511	438,939	
Admission amusement tax	1,139,912	486,693	900,000	1,023,395	536,724	(50,031)	(4)
Police protection grants	571,542	356,703	571,542	594,440	373,197	(16,494)	
Youth services grant	294,562	147,567	294,562	281,819	119,680	27,887	
Cable franchise fee	427,750	204,183	427,750	486,340	286,087	(81,904)	
Other	79,250	51,760	79,250	59,784	51,640	120	
Licenses and Permits:							
Building permits	1,325,000	876,226	1,100,000	1,179,738	865,728	10,498	(5)
Other	486,500	174,338	486,500	524,340	152,953	21,385	
Charges for Services:							
Recreation fees	4,406,744	2,931,884	4,200,000	4,177,376	2,996,726	(64,842)	(6)
PW permit fees	350,000	107,641	200,000	297,171	230,500	(122,859)	(7)
Zoning and planning fees	160,000	174,663	200,000	132,608	110,528	64,135	
Other	236,416	210,224	236,416	257,097	181,747	28,477	
Use of Money/Property:							
Interest income	150,000	181,884	220,000	118,006	75,080	106,804	
Rental income	110,900	77,461	110,000	114,148	83,677	(6,216)	
Other Revenue:							
Sale of land (includes interest)	-	-	-	-	-	-	
Red Light Camera	600,000	520,919	650,000	256,817	200,277	320,642	(8)
Admin. Charges to other funds	1,382,127	-	1,382,127	1,293,327	-	-	
Other	302,190	176,210	302,190	429,870	352,853	(176,643)	
Total Revenue**	47,650,213	39,569,446	47,973,173	44,883,796	34,984,351	4,585,095	

** Total Revenue does not include the budget amount for appropriated fund balance. For the FY05 budget, the appropriated fund balance is \$2,441,490.

Notes to Revenue Schedule:

- 1) **Real Property Tax:** Third quarter collections were up by over \$1 million from the amount collected in the third quarter last year. The FY05 projection was appropriately revised.
- 2) **Personal Property Tax:** The City received about \$1.4 million in personal property tax revenue during the third quarter, nearly half of the budgeted amount for the year. As a result, collections are well ahead of last year at this point and should easily reach or exceed the budget.
- 3) **Gas and Vehicle Tax:** FY05 revenues continue to run well ahead of last year, and the latest projection from the State Department of Transportation confirms that the City will receive more than was previously anticipated.
- 4) **Admission and Amusement Tax:** This revenue is received from the State in quarterly payments without major variations. The payments are now running below the FY04 payments, and the FY05 projection has been adjusted appropriately. Revenues from motion picture venues are significantly down from last year.
- 5) **Building Permit Revenue:** This revenue is subject to variations, but is unlikely to reach the budgeted figure given the amount collected in the first three quarters.
- 6) **Recreation and Parks Revenue:** The drop from budgeted to projected revenue is mainly due to the elimination of after school childcare programs at Ritchie Park and Lakewood Elementary Schools as well as decreased enrollment in programs at other schools. The after school programs are almost completely revenue supported, thus the changes should have no net impact.
- 7) **Public Works Permits:** This revenue is somewhat unpredictable as it is linked to projects in the public right-of-way that are initiated by private contractors.
- 8) **Red Light Cameras:** Revenues continue to come in well ahead of last year because the City is using higher quality cameras and rotating the cameras among intersections.

III. ASSESSED VALUE OF REAL PROPERTY

	Assumptions in FY 2005 Budget	Assessed Value As of 03 05	Variance
Beginning of fiscal year	7,076,523,774	7,043,517,598	(33,006,176)
New property-beg of year	48,826,640	66,300,000	17,473,360
New property-3 4 year	48,826,640	42,800,000	(6,026,640)
New property-1 2 year	48,826,640	95,100,000	46,273,360
New property-1 4 year	48,826,640	-	(48,826,640)
Sub-Total	7,271,830,334	7,247,717,598	(24,112,736)
Timing, appeals or other reductions	(295,306,506)	(20,000,000)	275,306,506
Total	6,976,523,828	7,227,717,598	251,193,770
Associated tax revenue	21,894,000	7,169,467,598 23,085,686	1,191,686
Modified Budget		22,094,000	
Actual, as of 3 31 05		22,858,616	

New property is added to the tax rolls at the beginning of the tax year and the conclusion of the first, second and third quarters of the year. Taxes added mid-year are billed on a pro-rata basis. Only a portion of the anticipated new property was included in budgeted revenue. Based on information provided by the State Department of Assessments and Taxation and Montgomery County, the assessed value of real property at the end of the second quarter had increased just over \$200 million from the value at the beginning of FY05.

IV. GENERAL FUND EXPENDITURES

Comparison of General Fund Actual to Budgeted Expenditures for the Period Ended March 31, 2005

Expenditure Category	(1)		FY 2005 Year-End Projection	FY 2004 Year-End Actual	(2)		Notes
	FY 2005 Revised Budget	FY 2005 Actual As of 03/05			FY 2004 Actual As of 03/04	(1-2) Variance	
Personnel:							
Salary	25,039,259	17,695,399	25,039,259	23,787,454	17,178,775	516,624	
Benefits	6,320,857	4,895,089	6,100,000	5,549,650	4,387,287	507,802	(1)
Sub-total	31,360,116	22,590,488	31,139,259	29,337,104	21,566,062	1,024,426	
Contractual Services:							
Professional services	2,805,521	860,024	1,720,000	1,456,180	823,409	36,615	(2)
Office expenses	793,525	513,097	793,525	865,062	613,354	(100,257)	
Employment & training	582,293	350,547	582,293	469,092	332,577	17,970	
Maintenance & repair	2,148,821	1,246,069	2,148,821	1,910,012	1,119,185	126,884	
Service provision	564,639	369,263	564,639	499,440	312,534	56,729	
Insurance	212,936	212,936	212,936	169,650	169,650	43,286	
Leases	80,695	51,295	80,695	81,121	47,938	3,357	
Sub-total	7,188,430	3,603,231	6,102,909	5,450,557	3,418,647	184,584	
Commodities:							
Utility costs	1,494,702	1,056,610	1,494,702	1,242,729	861,350	195,260	
Supplies	2,079,547	1,224,733	2,079,547	2,096,467	1,372,538	(147,805)	
Contingency	521,250	-	-	-	-	-	
Sub-total	4,095,499	2,281,343	3,574,249	3,339,196	2,233,888	47,455	
Capital Outlays:							
Land & building improvement	-	-	-	-	-	-	
Equipment	695,511	181,576	695,511	377,202	219,096	(37,520)	
Sub-total	695,511	181,576	695,511	377,202	219,096	(37,520)	
Non-operating Expenditures:							
Disposal of scrap	7,500	-	7,500	4,954	-	-	
Community assistance	3,450	530	3,450	2,714	1,101	(571)	
Outside agencies	885,806	750,363	865,806	914,459	706,562	43,801	
Sub-total	896,756	750,893	876,756	922,127	707,663	43,230	
Total Expenditures	44,236,312	29,407,531	42,388,684	39,426,186	28,145,356	1,262,175	
Transfers to Other Funds:							
Debt Service Fund	3,833,133	-	3,833,133	3,120,683	-	-	
Capital Projects Fund	1,985,496	-	1,985,496	1,299,000	-	-	
Other funds	36,792	-	36,792	36,792	-	-	
Sub-total	5,855,421	-	5,855,421	4,456,475	-	-	
Total Expenditures and Transfers	50,091,733	29,407,531	48,244,105	43,882,661	28,145,356	1,262,175	

Notes to Expenditure Schedule:

- 1) **Fringe Benefits:** The City's portion of employee health insurance costs did not increase this year, but the FY05 budget assumed a ten percent increase in these costs.
- 2) **Professional Services:** \$1.1 million of prior year surplus funds were budgeted for various planning studies. Most of these funds will not be spent prior to the end of the fiscal year and may need to be rolled into future years.

V. CONTINGENCY HISTORY

FY 2005 Contingency History – General Fund For the Period Ended March 31, 2005

Adopted Budget Contingency Level:		S	432,303
One-time Contingency	S	176,557	
Ongoing Contingency	S	255,746	
Uses of Contingency Funds:			
Washington Metropolitan Council of Govts.		S	15,316
Internal Control Study		S	8,500
Refuse Survey		S	20,200
Additional Street Salt		S	46,730
Overtime for snow removal		S	54,150
March 31, 2004 Contingency Level:		S	287,407
One-time Contingency	S	176,557	
Ongoing Contingency	S	110,850	
Future Uses of Contingency:			
None anticipated			

VI. CAPITAL PROJECTS FUND

Expenditures of \$17.5 million were recorded as of the third quarter of FY 2005. Major projects on which funds were expended during the quarter included Town Center redevelopment, traffic calming and pedestrian safety projects throughout the City, and concrete improvements and asphalt pavement maintenance.

The major issue in the CIP is the cost of the Town Center parking garages. Costs have increased from the amount anticipated at the time that the last financing plan was developed. However, additional revenues to be received from outside sources are expected to offset that increase to some degree. Revised information will be forwarded to the City's financial advisors so the impact of this cost increase on debt service costs and the gap between available revenue and expenses can be ascertained.

VII. ENTERPRISE FUNDS REVENUES AND EXPENSES

Note: Expenses include non-cash outlays such as depreciation

Water Fund Comparison of Actual to Budgeted Revenue and Expenses For the Period Ended March 31, 2005

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Revised	Actual	Year-End	Year-End	Actual	Variance	Notes
	Budget	As of 03/05	Projection	Actual	As of 03/04		
Revenues							
Charges for Services:							
Utility Charges	3,300,000	2,367,403	3,150,000	2,952,304	2,233,085	134,318	(1)
Water Connections	257,000	153,800	200,000	327,587	264,387	(110,587)	
Sales of Materials	26,000	30,692	35,000	74,734	56,585	(25,893)	
Interest income	21,452	39,017	45,000	46,466	42,000	(2,983)	
Miscellaneous Revenues	2,987	-	-	2,987	-	-	
Other Financing Sources:							
Transfers Other Funds	411,860	-	411,860	340,580	-	-	
Total Revenues	4,019,299	2,590,912	3,841,860	3,744,658	2,596,057	(5,145)	(2)
Expenses							
Personnel	2,030,289	1,461,992	2,030,289	1,926,918	1,407,877	54,115	
Operating	1,152,111	669,270	1,088,409	915,384	656,425	12,845	
Capital	306,221	126,054	306,221	184,892	171,786	(45,732)	
Debt service, transfers and other	1,616,369	224,525	1,616,369	1,694,631	225,231	(706)	
Total Expenses	5,104,990	2,481,841	5,041,288	4,721,825	2,461,319	20,522	
Net Income Loss	(1,085,691)	109,071	(1,199,428)	(977,167)	134,738	(25,667)	(2)

Notes to Water Fund Schedule:

- 1) **Utility Charges:** The projection is slightly reduced compared to the revised budget. The projection anticipates a 6.7 percent increase in revenue over FY04. The increase in the water rate was four percent.
- 2) **Total Revenues and Net Income/Loss:** The FY05 Revised Budget reduced anticipated revenue by one million dollars as a result of less-than-anticipated receipts from water connection fees and utility charges.

Sewer Fund
Comparison of Actual to Budgeted Revenue and Expenses
For the Period Ended March 31, 2005

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Revised	Actual	Year-End	Year-End	Actual	Variance	Notes
	Budget	As of 03/05	Projection	Actual	As of 03/04		
Revenues							
Charges for Services:							
Utility Charges	5,350,000	3,892,806	5,350,000	4,967,232	3,737,372	155,434	
Sewer Connections	264,000	113,800	200,000	332,887	263,137	(149,337)	
Interest income	34,515	44,268	48,000	42,756	37,694	6,574	
Total Revenues	5,648,515	4,050,874	5,598,000	5,342,875	4,038,203	12,671	(1)
Expenses							
Personnel	1,029,141	719,443	1,000,000	821,754	630,022	89,421	
Operating	2,495,310	1,122,959	2,494,510	2,219,220	1,482,287	(359,328)	(2)
Capital	1,796	-	1,796	-	-	-	
Debt service, transfers and other	1,805,463	321,759	1,805,463	1,602,563	255,101	66,658	
Total Expenses	5,331,710	2,164,161	5,301,769	4,643,537	2,367,410	(203,249)	
Net Income Loss	316,805	1,886,713	296,231	699,338	1,670,793	215,920	(1)

Notes to Sewer Fund Schedule:

- 1) **Total Revenues and Net Income/Loss:** The FY05 Revised Budget reduced anticipated revenue by \$920,000 as a result of less-than-anticipated receipts from sewer connection fees and utility charges.
- 2) **Operating Expenses:** FY04 Actual year-to-date expenses are greater than FY05 actuals due to the timing of a payment to Blue Plains.

Refuse Fund
Comparison of Actual to Budgeted Revenue and Expenses
For the Period Ended March 31, 2005

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004		
	Revised	Actual	Year-End	Year-End	Actual	(1-2)	
	Budget	As of 03/05	Projection	Actual	As of 03/04	Variance	Notes
Revenues							
Charges for Services:							
Utility Charges	4,521,382	3,305,859	4,521,382	4,128,978	3,036,773	269,086	
Interest income	-	1,889	2,000	4,968	3,160	(1,271)	
Miscellaneous Revenues	-	-	-	-	-	-	
Other Financing Sources:							
Transfers Other Funds	36,792	-	36,792	36,792	-	-	
Total Revenues	4,558,174	3,307,748	4,560,174	4,170,738	3,039,933	267,815	
Expenses							
Personnel	2,901,552	1,974,622	2,750,000	2,603,090	1,931,544	43,078	
Operating	1,334,709	865,680	1,319,709	1,127,964	780,681	84,999	
Capital	13,466	-	13,466	4,987	-	-	
Debt service, transfers and other	883,281	20,286	883,281	834,657	17,585	2,701	
Total Expenses	5,133,008	2,860,588	4,966,456	4,570,698	2,729,810	130,778	
Net Income Loss	<u>(574,834)</u>	<u>447,160</u>	<u>(406,282)</u>	<u>(399,960)</u>	<u>310,123</u>	<u>137,037</u>	

Notes to Refuse Fund Schedule:

None.



Parking Fund
Comparison of Actual to Budgeted Revenue and Expenses
For the Period Ended March 31, 2005

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Revised	Actual	Year-End	Year-End	Actual		Notes
	Budget	As of 03/05	Projection	Actual	As of 03/04	Variance	
Revenues							
<i>Meter Revenue</i>							
Meter Fees	530,700	134,969	190,000	122,757	80,360	54,609	(1)
Meter Violations	459,054	231,524	333,000	202,499	133,826	97,698	
<i>Sub-total</i>	989,754	366,493	523,000	325,256	214,186	152,307	
<i>Parking and Other Revenue</i>							
Parking Lot Receipts	-	-	-	43,534	3,199	(3,199)	
Parking Violations	54,900	115,189	160,000	142,364	103,540	11,649	
Interest Earnings	6,000	21,978	25,000	5,368	4,095	17,883	
<i>Sub-total</i>	60,900	137,167	185,000	191,266	110,834	26,333	
Total Revenues	1,050,654	503,660	708,000	516,522	325,020	178,640	
Expenses							
<i>Meter-Related Expenses</i>							
Personnel	78,264	63,632	78,264	60,954	38,966	24,666	
Other	28,581	8,025	28,581	8,961	2,109	5,916	
<i>Sub-total</i>	106,845	71,657	106,845	69,915	41,075	30,582	
<i>Parking and Other Expenses</i>							
Personnel	1,264	1,264	1,264	3,146	1,615	(351)	
Other	268,097	182,548	268,097	66,885	541	182,007	
<i>Sub-total</i>	269,361	183,812	269,361	70,031	2,156	181,656	
Total Expenses	376,206	255,469	376,206	139,946	43,231	212,238	
Net Income/Loss	<u>674,448</u>	<u>248,191</u>	<u>331,794</u>	<u>376,576</u>	<u>281,789</u>	<u>(33,598)</u>	

Notes to Parking Fund Schedule:

- 1) **Meter Fees/Violations:** These revenues are falling short of the budget because there are not as many cars parking in metered spaces as was anticipated when the FY05 budget numbers were set. Additionally, meter fees were reduced in the Twinbrook area.

**Stormwater Management Fund
Comparison of Actual to Budgeted Revenue and Expenses
For the Period Ended March 31, 2005**

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Revised	Actual	Year-End	Year-End	Actual	Variance	Notes
	Budget	As of 03/05	Projection	Actual	As of 03/04		
Revenues							
Stormwater Permits	200,000	180,704	200,000	432,044	285,629	(104,925)	
SWM Waivers	200,000	710,731	750,000	315,710	244,470	466,261	(1)
Interest Earnings	<u>140,362</u>	<u>103,868</u>	<u>140,362</u>	<u>82,604</u>	<u>58,775</u>	<u>45,093</u>	
Total Revenues	<u>540,362</u>	<u>995,303</u>	<u>1,090,362</u>	<u>830,358</u>	<u>588,874</u>	<u>406,429</u>	
Expenses							
Personnel	416,968	295,996	416,968	382,799	262,198	33,798	
Operating	432,160	136,639	250,000	203,843	173,746	(37,107)	(2)
Capital	-	-	-	-	-	-	
Debt service, transfers and other	<u>248,241</u>	<u>-</u>	<u>248,241</u>	<u>244,249</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>1,097,369</u>	<u>432,635</u>	<u>915,209</u>	<u>830,891</u>	<u>435,944</u>	<u>(3,309)</u>	
Net Income/Loss	<u>(557,007)</u>	<u>562,668</u>	<u>175,153</u>	<u>(533)</u>	<u>152,930</u>	<u>409,738</u>	

Notes to Stormwater Management Fund Schedule:

- 1) Waiver fee revenue is well beyond the budgeted amount due to the unanticipated receipt of fees for the Town Center project.
- 2) Projected expenses are below budget mainly because funds for the stormwater management fee study will need to be encumbered this year, but nearly all of the work will be performed next year.

RedGate Golf Course Fund
Comparison of Actual to Budgeted Revenue and Expenses
For the Period Ended March 31, 2005

		(1)			(2)		
	FY 2005	FY 2005	FY 2005	FY 2004	FY 2004	(1-2)	
	Revised	Actual	Year-End	Year-End	Actual	Variance	Notes
	Budget	As of 03/05	Projection	Actual	As of 03/04		
Revenues							
Charges for Services:							
Golf and cart fees	1,407,540	612,578	1,100,000	1,151,069	657,846	(45,268)	(1)
Interest Earnings	-	9	9	5	-	9	
Transfers Other Funds	-	-	-	-	-	-	
Total Revenues	<u>1,407,540</u>	<u>612,587</u>	<u>1,100,009</u>	<u>1,151,074</u>	<u>657,846</u>	<u>(45,259)</u>	
Expenses							
Personnel	796,932	522,286	662,000	709,671	419,990	102,296	(2)
Operating	398,059	206,592	250,000	275,418	179,575	27,017	(2)
Capital	67,720	20,783	24,000	11,993	14,058	6,725	(2)
Debt service, transfers and other	<u>198,682</u>	<u>12,603</u>	<u>298,441</u>	<u>295,099</u>	<u>10,411</u>	<u>2,192</u>	
Total Expenses	<u>1,461,393</u>	<u>762,264</u>	<u>1,234,441</u>	<u>1,292,181</u>	<u>624,034</u>	<u>138,230</u>	
Net Income/Loss	<u>(53,853)</u>	<u>(149,677)</u>	<u>(134,432)</u>	<u>(141,107)</u>	<u>33,812</u>	<u>(183,489)</u>	

Notes to the RedGate Golf Course Fund Schedule:

- 1) Golf course revenue is running slightly behind last year and is projected to end the year short of the budgeted amount. As a result, budgeted expenses have been reduced as described below.
- 2) Anticipated expenses were reduced in November by laying off two employees and holding another position vacant. Additionally, the Golf Course cut its budget in various non-personnel and capital accounts. These changes were described in a memo that was attached to the first quarter financial report.

VIII. MAJOR VARIANCES AND ISSUES TO MONITOR IN FY 2005

General Fund:

- Real Property Tax: As the projection shows, the City is receiving significantly more real property tax than was budgeted. This will increase the fund balance available for appropriation after the end of the Fiscal Year.
- Gas/Vehicle Tax: The Maryland Department of Transportation increased the amount that it expects to send the City for FY05. The new figure is about ten percent beyond what was previously expected.
- Building and Public Works Permits: Development activity drives these revenues. Delays in projects negatively impact this area.
- \$1.1 million of prior year surplus funds were budgeted for CPDS special projects. It is anticipated that less than ten percent of this amount will be spent in FY05.

Capital Projects Fund:

- Level of expenditures: As indicated in Section VI above, the Town Center project has greatly increased the City's expenditures from this fund. The extent to which the City will need to advance funds for this project in anticipation of future reimbursements has implications for overall financial management.
- Reimbursement for Police Technology expenditures: As mentioned in the budget amendment and previous quarterly reports, the City will be required to reimburse the Capital Projects Fund for approximately \$450,000 for Police Technology Grant expenditures. This reimbursement will come from the General Fund's accumulated prior year surplus.

Water and Sewer Funds:

- Connection Fees: The Mayor and Council received a detailed memo that explained why revenues would fall so far short of budget. Delays in or the elimination of development projects have a negative impact on these revenues. They will be budgeted significantly lower than they have been in recent years.
- Level of water production: Water usage per household has been going down, and production is lower than it has been for several years. While significant new development covered rising expenses in the past, future increases may have to be covered by increases in rates. A rate study is planned for FY06.
- Sewer Fund costs from WSSC: The City has been notified by WSSC that increased spending at the Blue Plains facility could result in increased City costs in FY 2005 and later years. In addition, WSSC is close to settling with DCWASA (the administrator of the Blue Plains treatment plant) on several large outstanding claims; a portion of this cost will be passed on to the City as well. These additional costs are included in the cash flows that were presented on February 22nd and will be presented again on May 16th.

Refuse and Golf Funds:

- In accordance with FY05 budgets and projections, these two funds will continue to show cash deficits at the end of FY05. The respective cash flows anticipate how and when each fund will reach a positive cash flow and eventually eliminate its deficit.